

SME **Q3 2023** Barometer

Investing for success

TRANSPORT



paragon

Investment plans

Transport SMEs are planning to invest in a range of critical assets over the next six months.

Plant and machinery is set to record the largest increase in the proportion of firms planning to invest, with 44% of those surveyed planning to do so – a 22 percentage point increase in the new data from Q2.

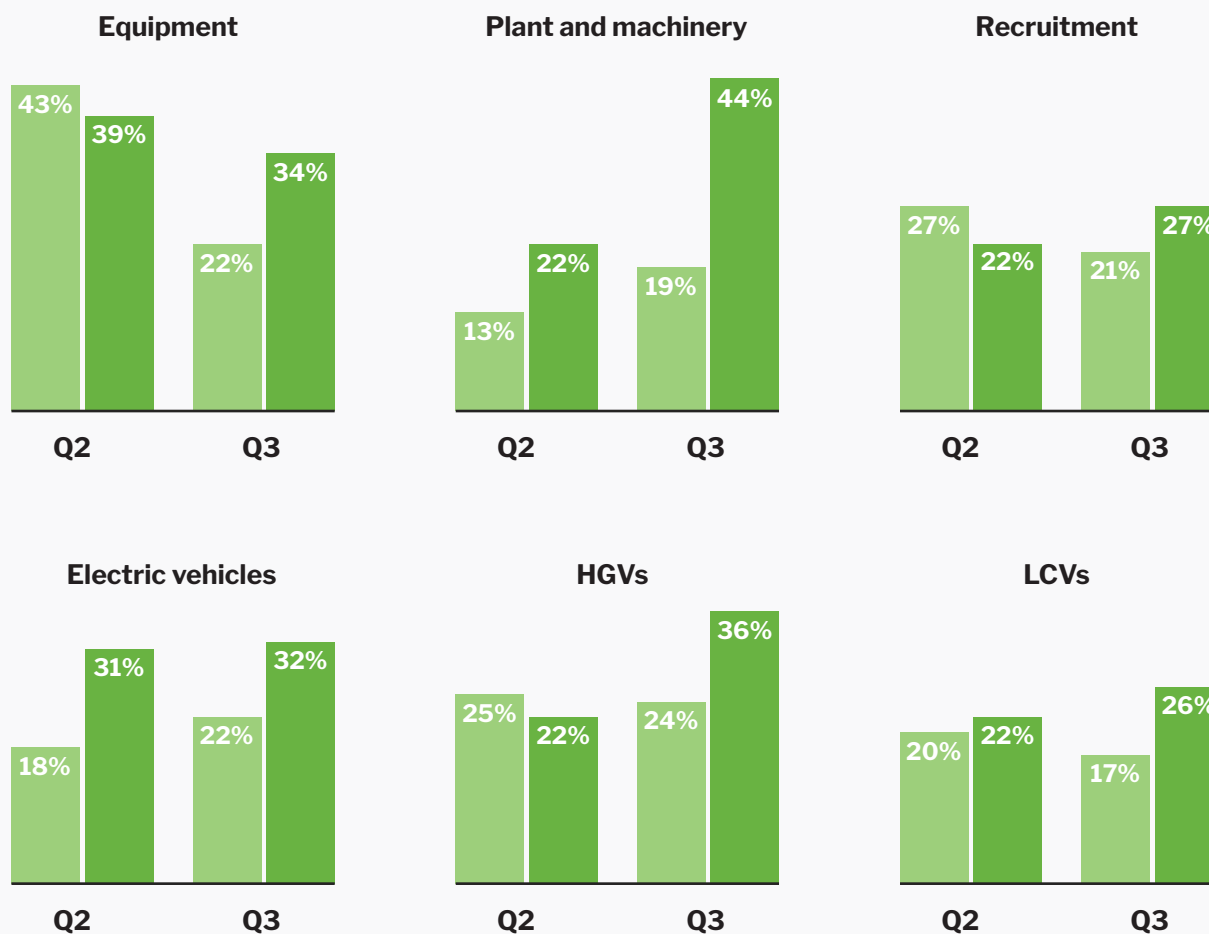
Traditional transport assets are also set to see an investment increase, thanks to the proportion of firms investing in HGVs rising from 22% to 36% and LCVs recording a concurrent rise from 22% to 26%.

There was also a small increase in the proportion of SMEs planning to invest in electric vehicles, with a rise from 31% in Q2 to 32%.



Past vs. planned investment

■ Last six months ■ Next six months



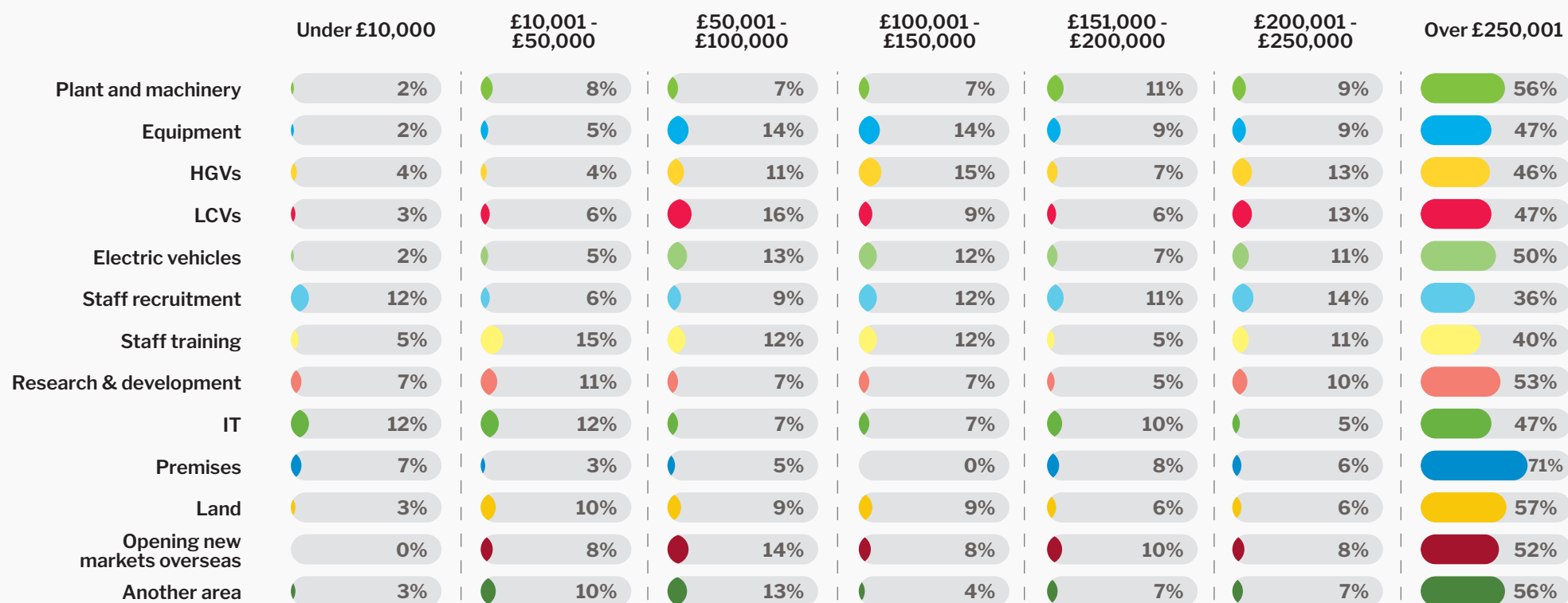
Investment levels

Vehicle assets, land, and premises are set to lead spending by transport SMEs over the next six months.

With 71% of business planning to invest in their premises and 57% in land acquisition, transport SMEs are planning substantial expansion and improvement in their operations, supported new vehicle assets.

Half of all transport SMEs are planning fresh investments in electric vehicles, followed closely by 47% and 46% committing to spending on LCVs and HGVs respectively.

Planned investment spend by SMEs in the next six months

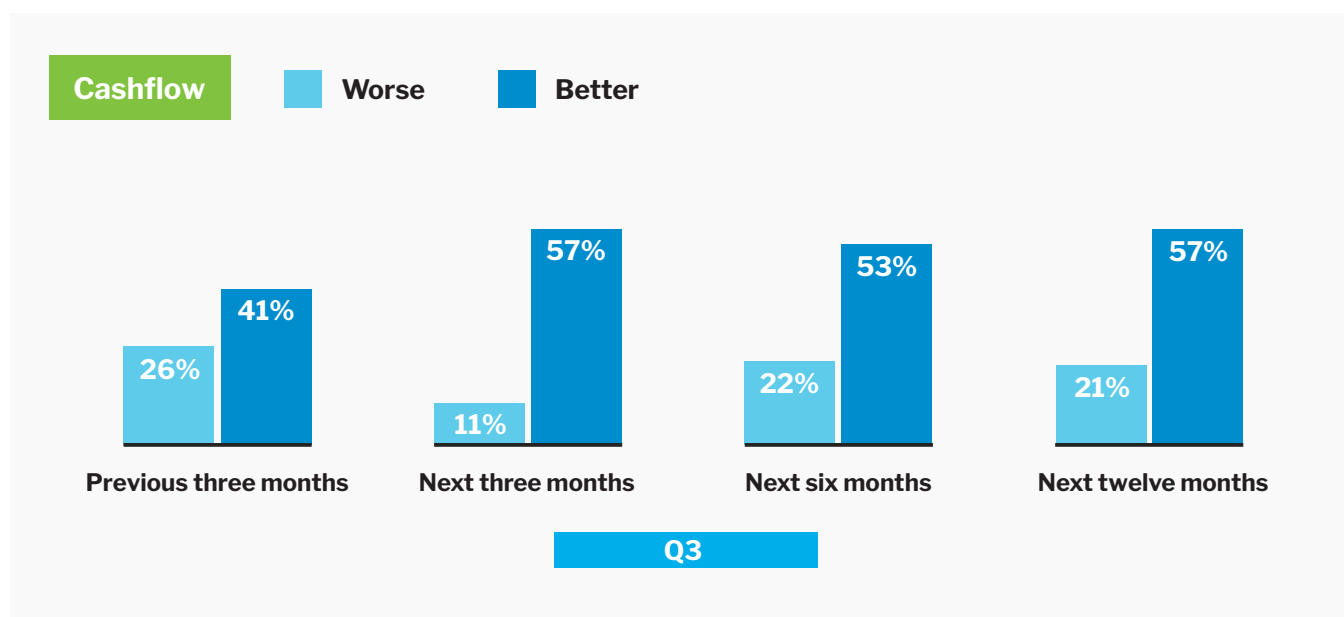
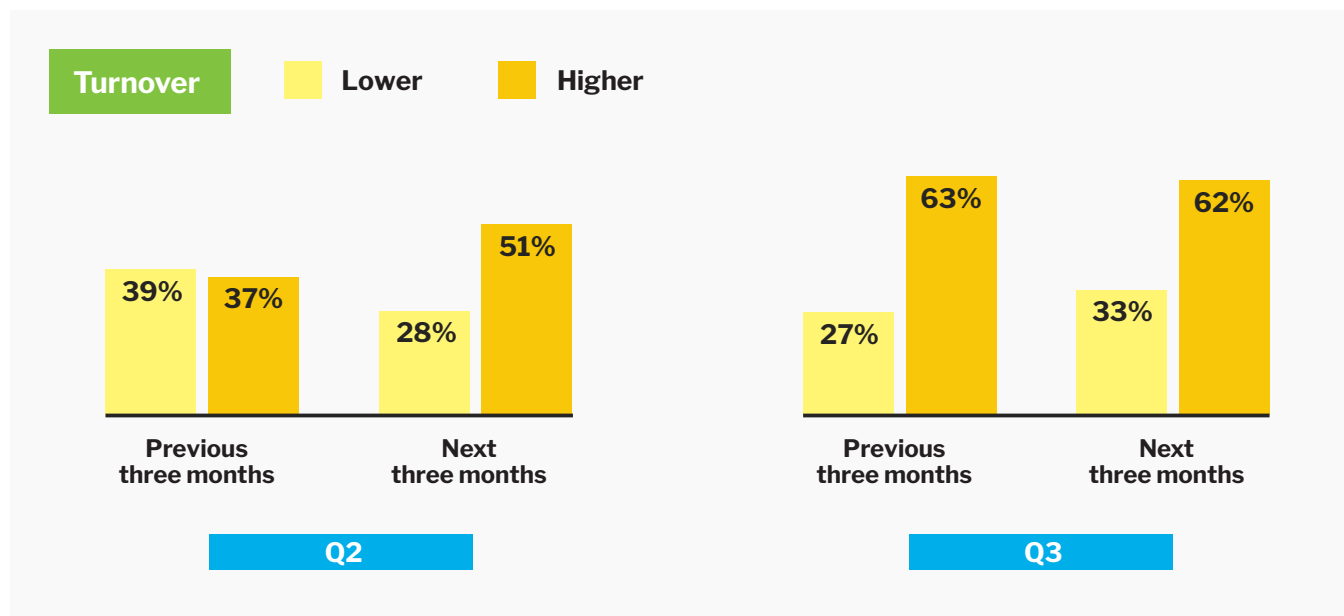


Cashflow and turnover

Almost two-thirds of transport SMEs (63%) have reported increased levels of turnover – a 26% increase on the previous data set.

Looking forward, confidence is only marginally lower with 62% of SMEs expecting turnover growth and 33% forecasting contracting turnover.

Alongside improved turnover, firms are also expecting to see an increase in cash flow. Rising from 49% in the last data set, 57% of firms now expect to see a higher level of turnover across the next six months. This trend is so to continue with 57% also planning on improved turnover in twelve months.



Business confidence

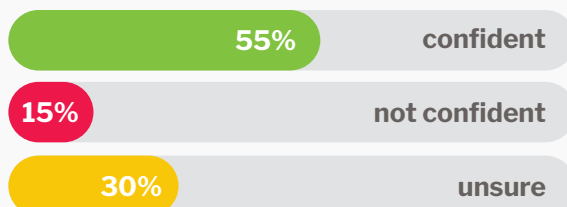
Over half (56%) of transport SMEs surveyed were confident about the prospects of their own business over the next three months, a slight rise from the 55% recorded in Q2. This small rise is concurrent with 58% of firms continuing to have confidence in the sector.

The sector's confidence in the wider UK economy has also improved. Only 39% of businesses surveyed in Q2 expressed confidence in the quarter ahead for the economy, but the latest wave records a rise to 47%.

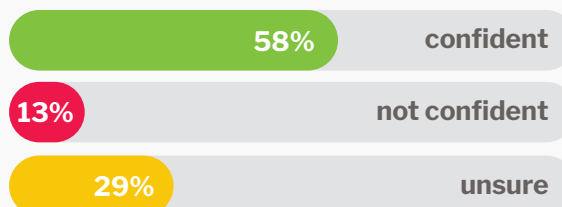
Confidence in the next three months

Q2

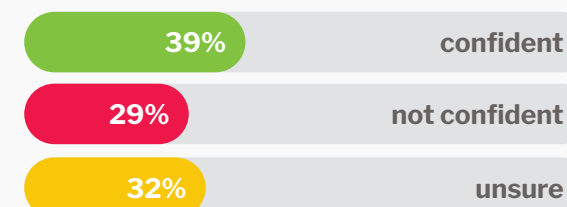
Own business



Own sector (agriculture, transport, manufacturing and construction)

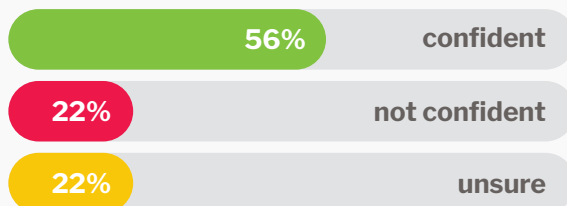


UK economy

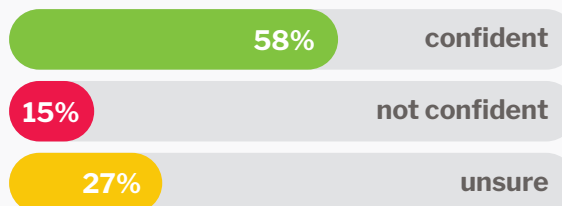


Q3

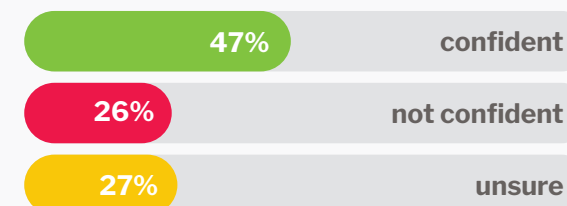
Own business



Own sector (agriculture, transport, manufacturing and construction)



UK economy

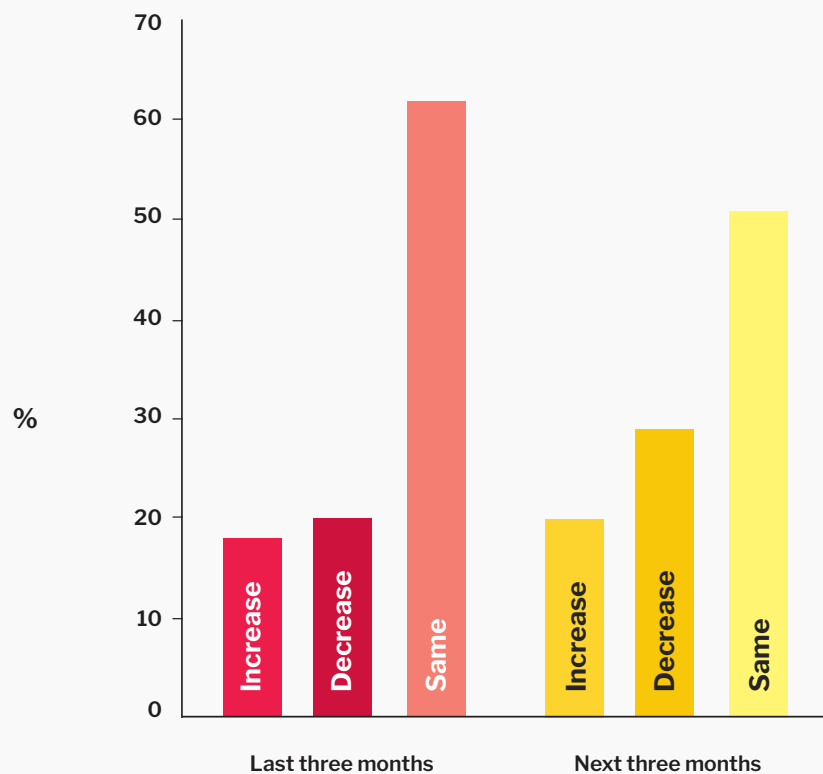


Employment and recruitment

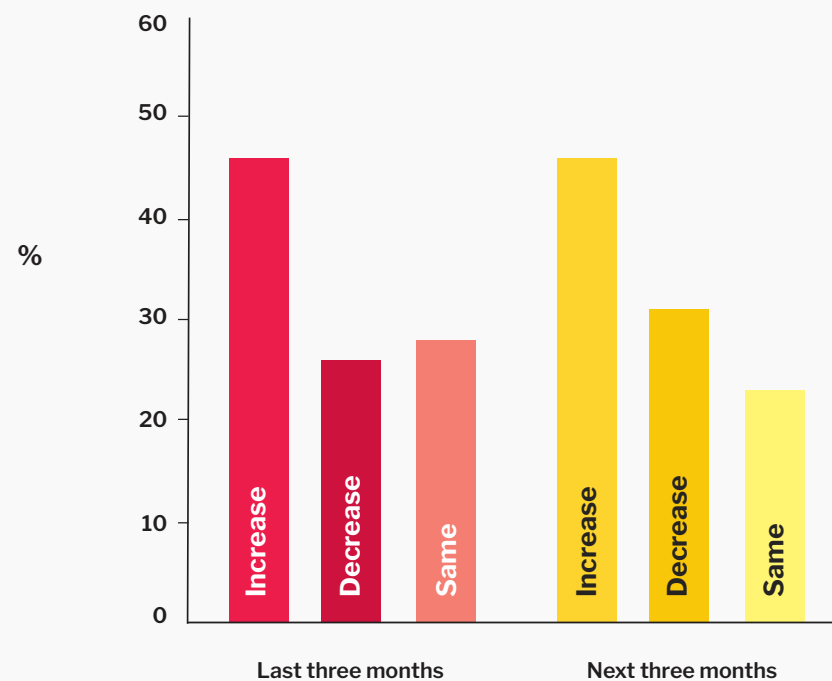
Almost half of transport SMEs (46%) recently increased full-time staff numbers, with 26% of firms reporting reduced employment levels and 28% maintaining their number.

Looking forward, 46% of firms in the sector intend to continue growing their full-time employee numbers, though 31% expect employment levels to be lower.

Staffing



Q2



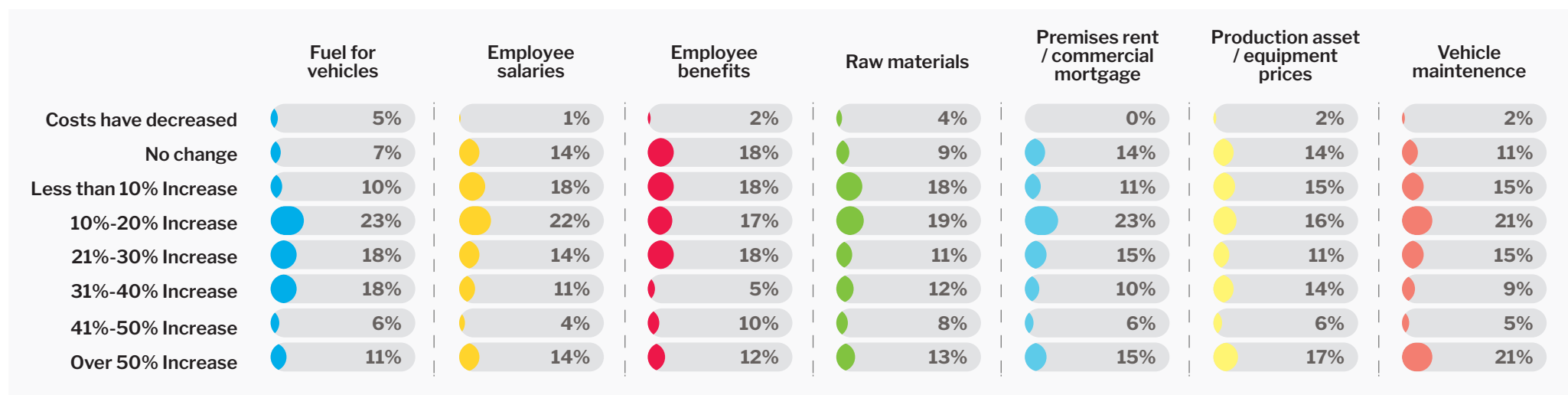
Q3

Business costs

Transport SMEs have faced a series of significant cost increases over the last quarter.

The number of firms reporting a 50% or over increase in fuel costs has risen from 7% to 11%, with 17% of firms reporting a similar increase in the cost of production assets and equipment – an increase of 12% on the previous data.

Raw materials have also recorded a significant increase, from 4% of firms experiencing cost increases of 50% or more in the last set of data to 13%.



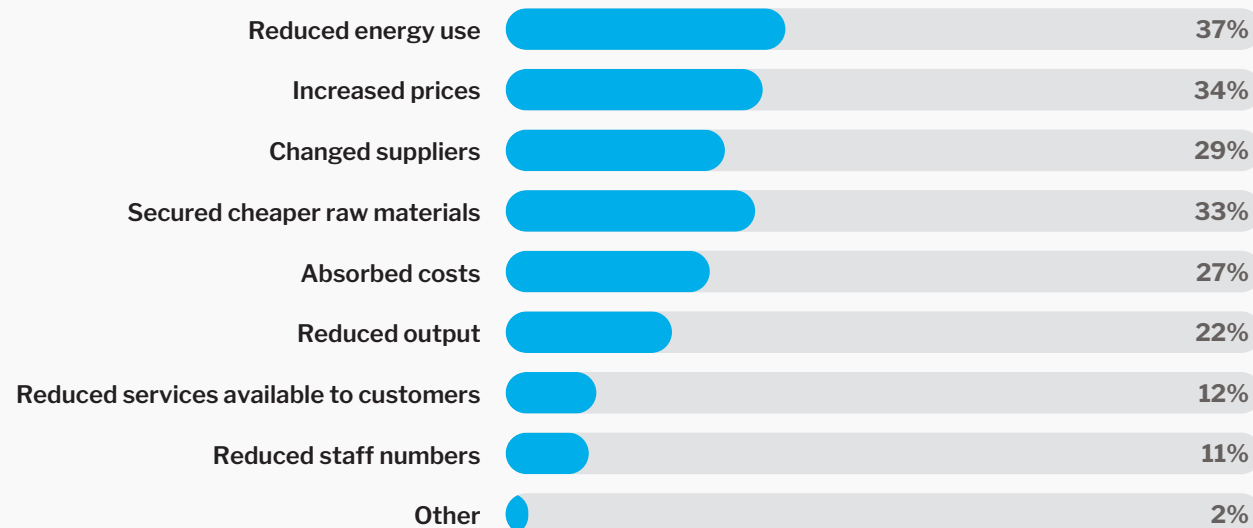
Business cost response

Transport SMEs have adopted a range of measures in response to the rise in business costs.

Reductions in output and services have proven crucial with over a third (37%) having reduced their costs by cutting energy use, 22% by reducing their output, and 12% by limiting the range of services available to customers.

SMEs have also sought to address rising costs by seeking cheaper materials (33%) and changing suppliers (29%) to find better value.

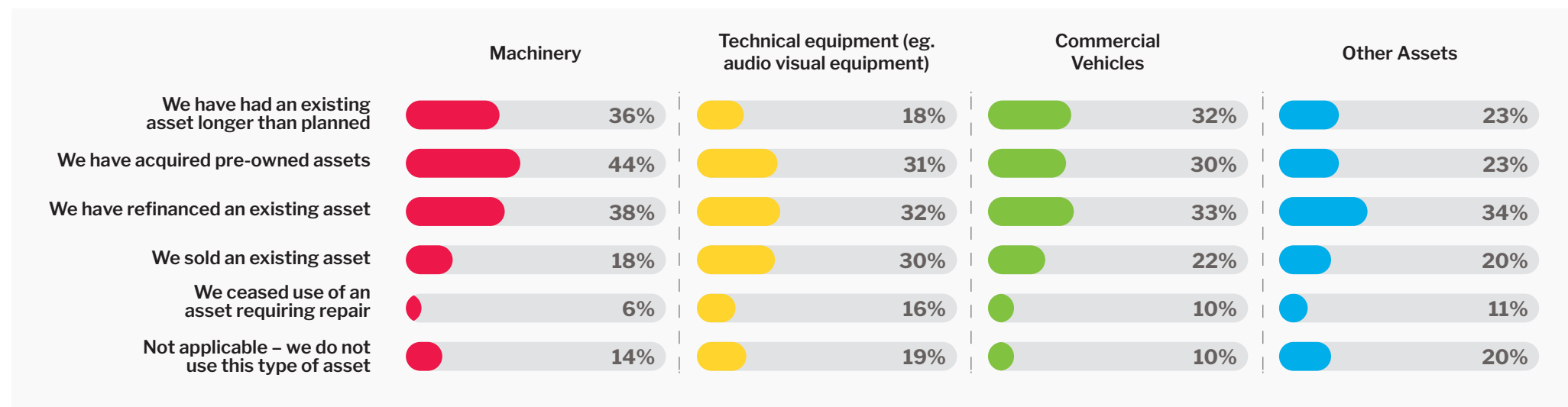
Seeking to not pass on full cost rises to customers, 27% of the transport SMEs surveyed have chosen to absorb all costs without passing on any increases.



Asset availability

While the proportion of transport firms using an existing commercial vehicle asset for longer than planned fell from 47% to 32% across the two sets of data, and those using pre-owned assets rose by 6% to 30%, supply chain concerns have seen a sharp increase in those seeking to refinance.

Rising from 9% of firms to 30%, the growth of refinancing vehicles is matched by those doing so for their machinery assets – with a rise from 21% to 38%.



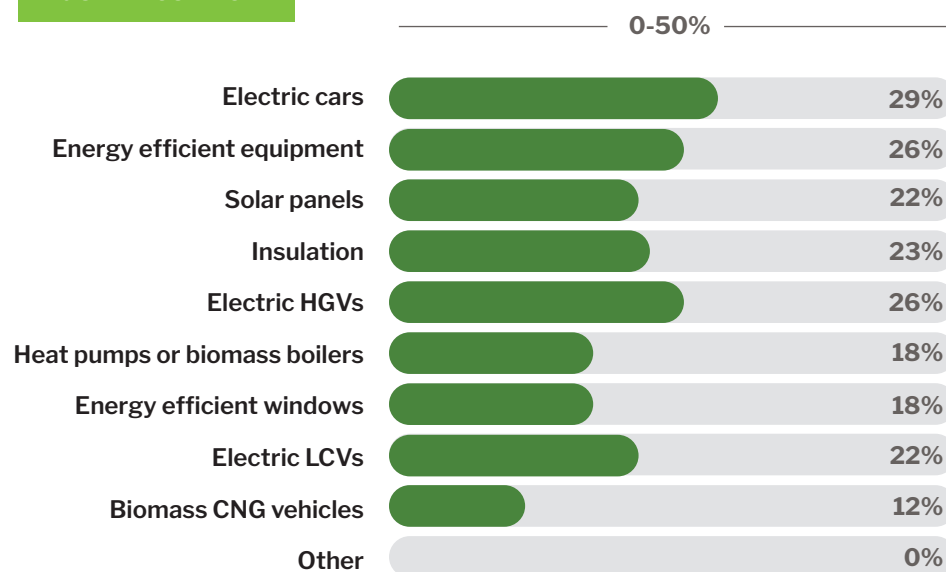
Past and planned Green investment

Over the last 12 months, 85% of transport SMEs have made some investment in green technology or assets - with electric cars (29%), energy-efficient equipment (26%), and electric HGVs (26%) leading the areas for investment.

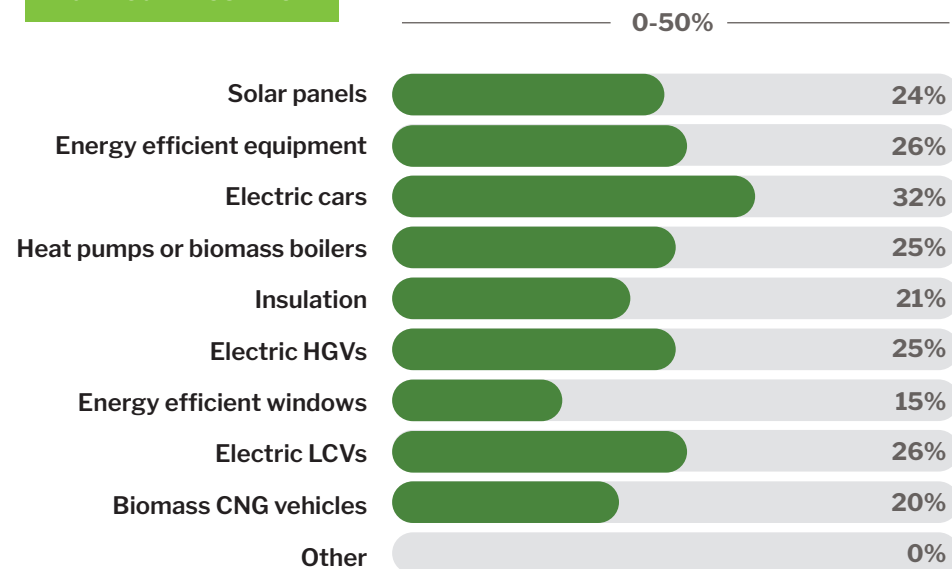
The proportion of SMEs investing in green technology and assets is set to increase to 88% over the next 12 months – with modest increases in those investing in electric cars (32%) and maintained energy-efficient equipment spending (26%), though those investing in electric HGVs is set to fall to 21%.



Past investment



Planned investment

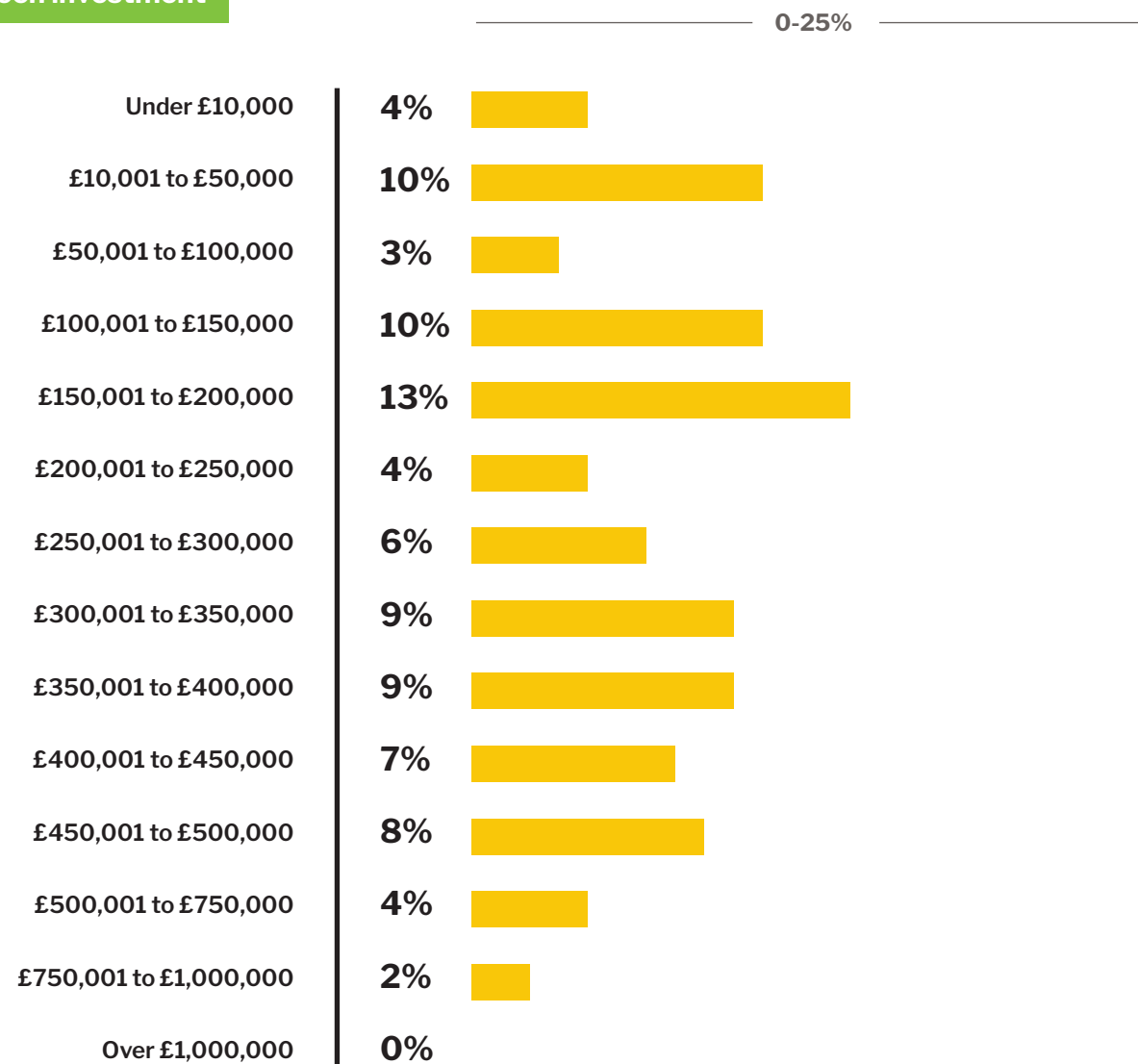


Green investment levels

Almost half (45%) of transport SMEs plan to invest over £250,000 in green technology and assets in the next year, with a similar proportion (44%) planning to invest up to that amount.



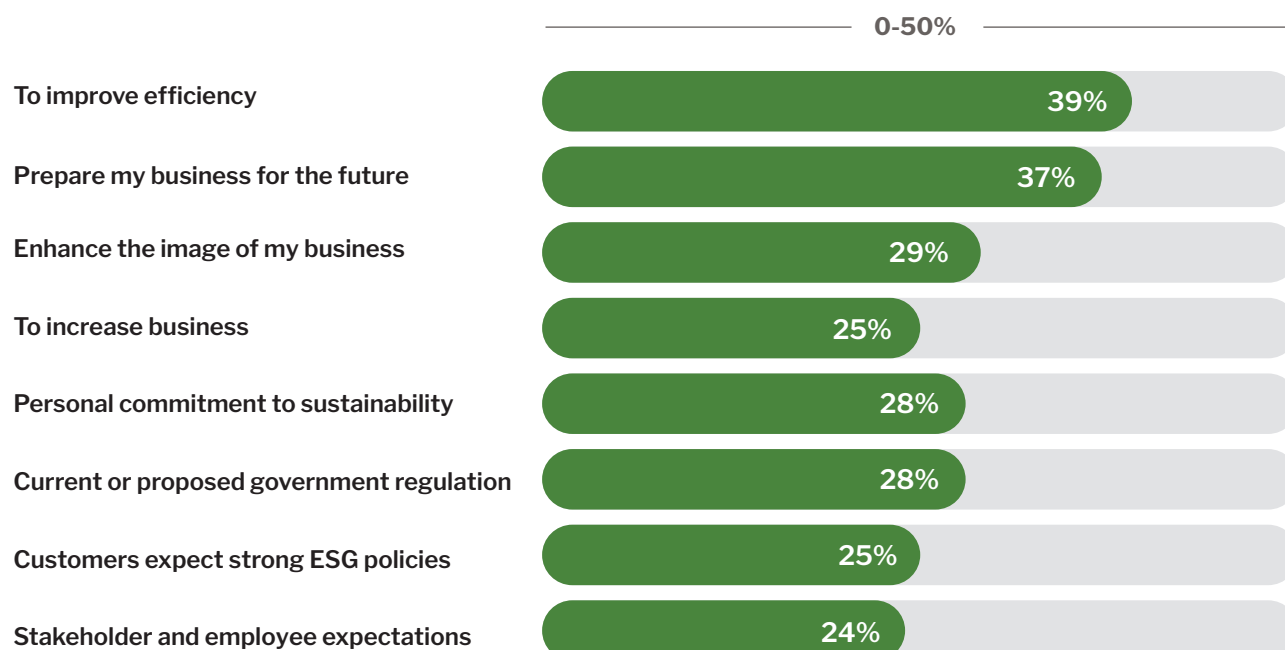
Green investment



Reasons for Green investment

The primary drivers for transport SMEs to have invested in green technology and assets over the last 12 months were to improve efficiency (39%), prepare their business for the future (37%), and enhance their image with customers (29%).

Over a quarter of businesses (28%) cited a personal commitment to sustainability, with the same proportion citing current or proposed government regulations. A further 25% reported that their customers now expect strong ESG standards.



Benefits of Green investment

Asked about the benefits of green investment to their business, 52% of SMEs cited starting the process of transitioning to sustainable technology, with 45% continuing the process. Reducing energy costs (28%) and replacing existing assets (41%) were also cited as leading benefits of green investment.

To start process of transitioning to sustainable technology

52%

Lower energy costs

28%

To continue the process of transitioning to sustainable technology

45%

Improve manufacturing costs

28%

Replace existing assets

41%

Comply with forthcoming legislation

22%

To assess viability of assets

9%

